

Message Text

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46

ACTION EUR-25

INFO OCT-01 ISO-00 NIC-01 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 4327

INFO AMEMBASSY BONN

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AMEMBASSY LONDON

AMEMBASSY PARIS

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AMCONSUL MILAN

AMCONSUL NAPLES

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E.O. 11652: N/A

TAGS: PINT, ELAB, IT

SUBJECT: TWO MAJOR LABOR AGREEMENTS

1. BEGIN SUMMARY. TWO MAJOR LABOR AGREEMENTS, INVOLVING 42,000 WORKERS AT ALFA ROMEO AND 55,000 WORKERS AT ITALSIDER (BOTH GOVERNMENT CONTROLLED FIRMS) WERE SIGNED APRIL 11. BOTH CONTRACTS CONTAIN UNUSUAL PROVISIONS OF THE KIND INVOLVED IN THE FIAT AGREEMENT REACHED MARCH 8 (ROME'S 3509) CALLING FOR EXPENDITURES NOT RELATED DIRECTLY TO THE WORK SITUATION. BOTH CONTRACTS WERE ARRIVED AT THROUGH THE MEDIATION OF LABOR MINISTER BERTOLDI. ONE IMPORTANT INNOVATION COMMON TO BOTH CONTRACTS IS THE AGREEMENT TO EQUALIZE AT A HIGH LEVEL THE WAGE INCREMENTS WHICH RESULT FROM THE APPLICATION OF WAGE ESCALATION RESULTING FROM INCREASES IN THE

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COST OF LIVING. END SUMMARY.

2. ALFA ROMEO AGREES TO LIMIT HIRING OF WORKERS FOR ITS PLANT IN NORTH ITALY IN FAVOR OF EXPANDING ITS LABOR FORCE IN SOUTHERN ITALY; TO INVEST AN AMOUNT EQUIVALENT TO 0.6 PERCENT OF WAGES FOR LOW-COST HOUSING PROJECTS AND TO IMPROVE PUBLIC TRANSPORTATION, AND 0.1 PERCENT TO BUILD/SUPPORT COMMUNITY NURSERY SCHOOLS; TO EQUALIZE THE AMOUNT OF WAGE ESCALATION FOR WORKERS IN THE LOWEST FOUR WAGE CATEGORIES AT THE FIFTH CATEGORY LEVEL; TO INCREASE WAGES BY AN AVERAGE OF 21,000 LIRE (APPROX US\$32) PER MONTH PER WORKER; TO SUPPLEMENT WAGES FOR LAID-OFF WORKERS FROM THE CURRENT 66 PERCENT RECEIVED FROM THE WAGE INTEGRATING FUND TO 90 PERCENT OF AVERAGE WAGES; AND TO MAKE A LUMP SUM PAYMENT OF 90,000 LIRE (APPROX. US\$140) PER WORKER AS A REMUNERATION FOR WAGE LOSSES DURING THE BARGAINING PERIOD. IN ADDITION, ALFA ROMEO HAS ACCEPTED IN PRINCIPLE THE UNION DEMAND FOR A 36-HOUR WORK WEEK (6 HOURS TIMES 6 DAYS) FOR FUTURE IMPLEMENTATION "SUBJECT TO MARKET CONDITIONS;" THE WORK WEEK AT THE SOUTHERN ITALY PLANT WILL BE REDUCED FROM 42 1/2 TO 40 HOURS PER WEEK BY THE END OF THIS YEAR.

3. ITALSIDER, A MAJOR STEEL CONGLOMERATE, HAS AGREED TO CONTRIBUTE TO LOCAL AUTHORITIES IN AREAS WHERE THEIR PLANTS ARE LOCATED AN AMOUNT EQUIVALENT TO 0.8 PERCENT OF WAGES FOR THE IMPLEMENTATION OF SOCIAL REFORMS (LOW-COST HOUSING, PUBLIC TRANSPORT IMPROVEMENTS), WHICH IN THE FIRST YEAR WILL COST THE COMPANY AROUND \$2.2 MILLION; TO EQUALIZE WAGE ESCALATION INCREMENTS IDENTICAL WITH THE ALFA ROMEO PROVISION (ABOVE); TO EXTEND TO ALL WORKERS THE SPECIAL "PROFIT ALLOWANCES" HERETOFORE PAID ONLY TO WHITE COLLAR AND HIGHLY SKILLED EMPLOYEES (ABOUT 70,000 LIRE, OR \$107, EACH); MONTHLY WAGE INCREASES RANGING FROM 10,000 LIRE (\$15) TO 36,000 LIRE (\$55), WITH THE HIGHER INCREASES GOING TO THE LOWER PAID; TO MAKE A LUMP SUM PAYMENT TO EACH WORKER OF 80,000 LIRE (\$1239 FOR WAGE LOSSES DURING THE BARGAINING PERIOD. IN ADDITION, ITALSIDER AGREES TO COMMIT INVESTMENTS TO ITS PLANTS IN NAPLES AND GENOA "TO IMPROVE THE WORK ENVIRONMENT."

4. EXCLUDING EH LUMP SUM PAYMENTS, AND THE PROVISIONS NOT DIRECTLY PAYABLE TO THE WORKERS, THE NEW CONTRACTS INCREASE WAGES AT ALFA ROMEO BY AN AVERAGE OF 21,000 LIRE (\$32) PER MONTH, AND AT ITALSIDER BY ABOUT 25,000 LIRE (\$35) PER MONTH

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5. COMMENT: THESE EXPENSIVE SETTLEMENTS, AS A FIAT, RESULTED FROM VIGOROUS ARM-SQUEEZING BY LABOR MINISTER BERTOLDI. EVEN THOUGH BOTH PLANTS ARE GOVERNMENT CONTROLLED, THE MANAGEMENT ASSOCIATION INTERSIND RESISTED TENACIOUSLY UNTIL FORCED TO CONDEDE TO THE MINISTER'S INSISTENCE. THE GAINS WON BY LABOR IN THE DIRECTION OF EQUALIZING THE APPLICATION OF WAGE ESCALATION IS REGARDED AS A MAJOR ACHIEVEMENT SINCE IT HAS

BEEN A MAJOR DEMAND UPON PRIVATE EMPLOYERS. PRESUMABLY, THE
PATTERN OF SETTLEMENTS BEGUN AT FIAT AND CONTINUED AND EXPANDED BY
ALFA ROMEO AND INTERSIND WILL INCREASINGLY BE APPLIED TO OTHER
INDUSTRIAL AREAS. VOLPE

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